

Chapter 4.5.4
PUBLIC VOUCHERS
Revision: ~~February~~ **July** 1998

1. THIS CHAPTER IS ABOUT:

A. This chapter is about processing cost-reimbursement, time-and-materials (T&M), labor-hour (LH), or fee vouchers submitted by contractors during the performance of cost-reimburs~~ment~~~~able~~ **type** contracts (including ~~T&M~~~~time-and-materials~~ and ~~LH~~~~labor-hour~~ contracts). The contract auditor is the authorized representative of the Administrative Contracting Officer (ACO) for receiving *vouchers from contractors; approving and reviewing* interim vouchers (*including interim vouchers for fee and for T&M and LH contracts*) for provisional payment, and transmitting ~~the~~ approved vouchers to the cognizant disbursing officer for payment, ~~or for~~ **and** authorizing direct submission of interim vouchers to the payment office, ~~;~~ for contractors with approved billing systems. The contract auditor is also responsible for *reviewing*~~auditing~~ *completion/final vouchers*~~contract costs prior and sending them~~ to ACO approval.~~of the final voucher.~~

B. The typical output of this process is a paid voucher.

2. WE DO THIS BECAUSE:

A. Terms of cost reimburs~~ment~~~~type~~~~able~~ contracts provide for contractors to submit interim and final public vouchers (~~PVs~~) for costs incurred during contract performance. The voucher review process results in approval or disapproval of costs incurred during contract performance. DCMC procedures are established to settle vouchers on cost-reimbursement type contracts in a timely manner. Teaming with the contractor and *the Defense Contract Audit Agency (DCAA)* is encouraged to improve the voucher review process.

B. The top level metric for this process is the **Right Price**. The review of incurred costs for allowability supports avoidance of cost overruns on contracts and major programs.

3. DCMC POLICY:

DOD's policy is to reimburse contractors for costs incurred on *cost-reimbursement type*~~flexibly-priced~~ contracts to the extent they are reasonable, allocable, and determined to be allowable. Allowability of costs shall be based on the guidance contained in FAR 31.205, Selected ~~C~~**o**sts.

4. THE PROCESS AND WHO IS RESPONSIBLE:

A. Process Inputs:

- (1) Receipt of DoD or NASA Cost-*Reimbursement* Type Contract
- (2) Receipt of claim for reimbursement of Subcontractor Termination Settlement
- (3) Receipt of contract auditor letter to contractor *with* approved~~ing~~ billing system **and** authorizing direct submission of interim vouchers
- (4) Receipt of contract auditor letter to contractor ~~rescinding approval of billing system and~~ withdrawing authority for direct submission interim vouchers
- (5) DCAA Form 1

B. Subprocesses:

- (1) Contract auditor determines contractor eligibility for direct billing procedure
- (2) Contractor appeals to ACO of DCAA Form 1
- (3) ACO's Notice of Government intent to disallow costs

C. Process Mechanisms:

- (1) Contract auditor's review of contractor's internal controls
- (2) Team meetings, including contractor to resolve *voucher PV*-appeal issues

D. Process Controls:

- (1) FAR 16.306, Cost-plus-fixed-fee contracts
- (2) FAR 31, Contract Cost Principles and Procedures
- (3) DFARS 231, Contract Cost Principles and Procedures
- (4) FAR 42.803, Disallowing ~~C~~costs ~~A~~after ~~I~~ncurrence
- ~~(5)a-~~ DFARS 242.803(b), Auditor receipt of voucher
- ~~(6)b-~~ FAR 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts
- ~~(7)c-~~ Defense Logistics Agency - Defense Finance and Accounting Service - Defense Megacenter Service - Defense Megacenter Columbus Concept of Operations

E. Process Flowchart:

F. Who does what and when they do it:

- 1) ADVISE CONTRACTOR ON *REQUIREMENTS FOR SUBMISSION OF VOUCHER*~~S/INTERIM FEE REQUIREMENTS~~:

~~a)-~~ Upon receipt of cost-*reimbursement* type contracts (*including T&M and LH contracts*) or claims for reimbursement on termination settlements, the ACO shall instruct the contractor ~~to on the appropriate procedures for the submission of~~ vouchers. ~~in accordance with the appropriate payment provisions of the contract.~~ *In accordance with DFARS 242.803(b), the auditor is the authorized representative of the contracting officer for receiving vouchers; approving interim vouchers (including vouchers for fee and for T&M and LH contracts); authorizing direct submission of interim vouchers for provisional payment to the disbursing office; reviewing completion/final vouchers and sending the to the ACO for approval; and issuing DCAA Forms 1, "Notice of Contract Costs Suspended and/or Disapproved."*

b) *Direct Billing Authorization.*

i. If the contract auditor has approved the contractor's billing system *and has authorized* ~~for the purpose of~~ direct submission of interim vouchers for provisional payment, the contract auditor will notify the contractor, and copy the ACO and the payment office, that it is authorized to submit cost vouchers, except first and final vouchers, direct to the payment office.

~~ii.e)~~ If, during contract performance, the contract auditor withdraws *the authorization to bill directly* ~~approval of the contractor's billing system, it~~ DCAA will notify the contractor, the ACO and the payment office, and will direct the contractor to submit ~~cost~~-*interim* vouchers to the contract auditor for review and approval.

~~iii. e)~~ For contractors not determined by the contract auditor to be eligible for the direct billing program, the contractor shall submit interim vouchers to the contract auditor for approval

~~iv.e)~~ If special conditions warrant that specific contracts should be excluded from direct billing, the ACO shall ask the contract auditor to adjust the authorization to that effect and notify *the contractor, the payment office, and the ACO.* ~~all participants as described in b) and c) above.~~

~~(2) PROCESS REQUEST FOR INTERIM PAYMENT OF FEE:~~

~~Fee vouchers shall be routed as specified in the contract. Fee vouchers routed to the ACO shall be processed as follows, and~~ {Note: the following text through the end of "c)" is moved to paragraph 4.F(3)b) below.] ~~the reviews shall be documented:~~

- ~~a) Where the amount of interim fee is based upon the percentage of physical completion, or deliveries of completed end items, the ACO shall periodically, but no less frequently than annually, verify that the contractor's progress on the contract is commensurate with the fee requested.~~
- ~~b) Where fee is based upon other than percentage of completion or contract progress, for a term form cost-plus-fixed-fee contract, the ACO shall periodically, but no less frequently than annually, review the status of fee on the contract and advise the auditor and the PCO if adjustments in fee shall be made in subsequent vouchers.~~
- ~~c) Where fee is based upon other than percentage of completion or contract progress, for a completion form cost-plus-fixed-fee contract, the ACO shall periodically, but no less frequently than annually, review the status of fee on the contract, including obtaining technical input, and advise the auditor and the PCO if adjustments in fee will be made in subsequent vouchers.~~

(23) MONITOR PAYMENT WITHHOLD:

- a) *The ACO shall monitor payment withholdings and perform reviews of withholdings in accordance with paragraph 4.F(3) below.*
- b) *Time-and-Materials and Labor-Hour Contracts.*
 - i. *T&M and LH contracts require that ~~The ACO shall ensure the~~ five percent (5%) of the billing amount ~~withholding~~ (up to a maximum of \$50,000) ~~is~~ be withheld from the contractor's billings for direct labor hours. The withholding shall be retained until receipt of the contractor's release.*
 - ii. *The ACO should ~~also~~ be aware that the withholding percentage might vary from the standard five percent called for in FAR 52.232-7, which allows the Procuring Contracting Officer (PCO) the latitude to adjust the percentage. The ACO should also be aware that for orders placed under basic ordering agreements (BOAs), the withholding requirements apply separately to each order under the BOA, since each order is a separate contract.*
- c) *Cost-Plus-Fixed-Fee Contracts.*
 - i. *If the contractor has been authorized for direct billing of interim vouchers as described in paragraph 4.F(1) above, interim payments of both cost and fee will be paid automatically by the paying office. For this reason, prior to the point when the contractor has been paid 85 percent of the fixed fee, the ACO shall confirm with DCAA that the contractor's billing system has adequate internal controls to properly withhold whatever amount of fee may be specified in accordance with FAR 52.216-8.*
 - ii. *If the contracting officer has determined fee should be withheld and DCAA has not determined the contractor's billing system has adequate internal controls for withholding fee, the ACO need take no further action, other than to perform the periodic reviews described in paragraph 4.F(3) below.*
 - iii. *If the contacting officer has determined fee should be withheld and DCAA has not determined the contractor's billing system internal controls are adequate for withholding fee, the ACO shall notify the paying office in writing that manual processing of fee payments is required. For those contracts in MOCAS that are paid by the Defense Finance and Accounting Service (DFAS), the ACO shall accomplish this notification by providing withholding instructions in the MOCAS*

“DFAS Notebook” (i.e., in-the-clear BVN special payment instructions). This message in the “DFAS Notebook” will cause manual payment.

iv. The table below illustrates the notifications that ACOs are required to provide for CPFF contracts.

Notifications Required by ACO - CPFF Contracts

Has DCAA given the contractor direct billing authority for interim vouchers	Is fee withholding required?	Notifications Required by ACO
Yes	Yes	None
Yes	No	None
No	Yes	Notify paying office in writing. (For DFAS-paid contracts, notification is a notation in MOCAS "DFAS Notebook" (i.e., in-the-clear special payment instructions) that manual payment is required.)
No	No	None

(43) REVIEW OF PAID AND REJECTED VOUCHERS:

a) The ACO shall **periodically** review paid vouchers and **shall review** all rejected vouchers to assure that the cost limitation provisions in the contract are being met.

b) **The following review procedures shall apply to fee vouchers:**

[Note: The following text was moved from what was formerly paragraph 4.F(2) above.]

i. Where the amount of interim fee is based upon the percentage of physical completion, or deliveries of completed end items, the ACO shall periodically, but no less frequently than annually, verify that the contractor’s progress on the contract is commensurate with the fee requested.

ii. ~~b)~~ Where fee is based upon other than percentage of completion or contract progress, for a term form cost-plus-fixed-fee-contract, the ACO shall periodically, but no less frequently than annually, review the status of fee on the contract and advise the auditor and the PCO if adjustments in fee shall be made in subsequent vouchers.

iii. ~~c)~~ Where fee is based upon other than percentage of completion or contract progress, for a completion form cost-plus-fixed-fee-contract, the ACO shall periodically, but no less frequently than annually, review the status of fee on the contract, including obtaining technical input, and advise the auditor and the PCO if adjustments in fee will be made in subsequent vouchers.

iv. The ACO shall document the reviews.

(45) PROCESS APPEAL OF DCAA FORM 1:

a) The DCAA Form 1, provides that, in the case of disallowance actions, the contractor may appeal the action within 60 days after receipt of the DCAA Form 1.

- b) Upon receipt of a contractor's appeal to a DCAA Form 1, the ACO shall make a determination, in writing as promptly as practicable, and furnish a copy to the contractor, the auditor, and the payment office.
- c) Final cost determinations are subject to the requirements of the pre~~negotiation~~ and ~~post- Price Negotiation~~ *Memorandum* approval requirements in the *Contract Pricing Negotiation* Chapter. Where the ACO's course of action is not consistent with the auditor's recommendations, the level of review shall be based on the disputed costs identified by the auditor. If the audit or DCAA form 1 is not specific, the ACO shall consult with the auditor to determine the potential value of the disallowance.

(56) REVIEW FINAL VOUCHER:

- a) *The ACO shall* ~~Review~~ the final voucher and closing statement from DCAA to ensure that all issues on suspended or disallowed costs are resolved.
- b) *Prior to contract closeout, the ACO shall ensure* ~~Determine~~ that all closing documents have been obtained, are in order and properly executed. Upon completion of contract closeout, *the ACO shall* forward the signed final voucher to the payment office.

5. ADDITIONAL PROCESS INFORMATION:

- A. Notice of Intent to Disallow Cost, Price Negotiation, and Disputes and Appeals Chapters
- B. Alternative Dispute Resolution section in the FAR

6. COMPETENCIES AND CERTIFICATIONS REQUIRED TO EXECUTE THIS PROCESS:

- A. The ACO shall be a warranted contracting officer.
- B. Under the Defense Acquisition Workforce Improvement Act (DAWIA), specialists shall be certified in accordance with the position held.
- C. DCMC Training Matrix

7. PLAS CODES: 141

Process Unit Count: Paid Voucher

8. POINTS OF CONTACT:

DCMC Headquarters:

Process Owner: ~~Mr. Timothy Frank~~ *Marolyn Russell*, DCMC-OC

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DCMDE:

Process Owner: Mr. Robert Campbell, DCMDE-OTB

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DCMDW:

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4.4.6 Process Flowchart

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